

FISCAL NOTE

HB 2972 - SB 3129

February 24, 2000

SUMMARY OF BILL: Establishes a plan that would permit state employees to participate in a Deferred Retirement Option Plan (DROP). This plan will permit members to sign up for pension benefits to be paid into an account while continuing to work. An employee participating in DROP does not accrue additional retirement credit and no contributions are made to TCRS. The funds paid into the DROP account will earn 6% interest or the account investment can be self-directed. Funds will not be paid directly to the state employee until the employee has actually terminated employment.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$41,574,000 Annual Amortized Cost

**Other Fiscal Impact – Increase Federal/Other Expenditures:
\$13,750,000 Annual Amortized Cost**

Estimate assumes:

- total lump sum liability of \$370,000,000
- a 20-year amortization of the lump sum liability.
- administrative costs of \$324,000 for seven positions and related costs in the Division of Retirement are included in the first year cost.
- approximately 60% of eligible state employees will take advantage of the DROP Program.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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